



## RESOLUTION

RELATING TO RESCISSION OF THE HONOLULU AFFORDABLE HOUSING PRESERVATION INITIATIVE (HAHPI).

WHEREAS, as part of the City Administration's Honolulu Affordable Housing Preservation Initiative (HAHPI), it selected Honolulu Affordable Housing Partners, LLC (HAHP), through a request for proposals process, to purchase and renovate a number of the City's low- and moderate-income rental housing projects; and

WHEREAS, by adoption of Resolution 12-228, FD1, the Council approved a Purchase and Sale Agreement (PSA) between the City and HAHP to effectuate the City's sale of the HAHPI housing projects and the long-term lease of the land under the projects to HAHP; and

WHEREAS, the PSA provided for HAHP to make an initial deposit of \$1 million into escrow upon the effective date of the agreement and an additional \$4 million into escrow within two business days after HAHP's approval or deemed approval of the due diligence investigation authorized under Section 3.1 of the PSA; and

WHEREAS, Departmental Communication D-196 dated April 5, 2013 from Pamela A. Witty-Oakland, City Director of Community Services, stated that HAHP had made the required initial \$1 million deposit upon the PSA taking effect and reported that as of April 1, 2013 HAHP's due diligence investigation of the properties had been completed and it had deposited an additional \$4 million into escrow; and

WHEREAS, upon closing, escrow is directed to transfer to the City, among other things, an "up-front lump-sum acquisition lease rent payment" of \$142 million; and

WHEREAS, escrow has not yet closed on the purchase and sale of the HAHPI housing projects; and

WHEREAS, according to Section 5.14(f) of the PSA, HAHP anticipates using a combination of funding sources as set forth in Section 5.14 of the PSA, including private activity bond proceeds; and

WHEREAS, by adoption of Resolution 12-230, the Council authorized the transfer of the City's 2012 private activity bond allocation in the approximate amount of \$103,000,000 to the State for reallocation to the Hawaii Housing Finance and Development Corporation (HHFDC) for the sole purpose of facilitating the issuance of private activity bonds by HHFDC "in support of and to the extent required for the City's HAHPI Project"; and



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WHEREAS, one of the requirements imposed by the U.S. Department of Housing and Urban Development (HUD) on the City's sale of housing projects developed in part using Community Development Block Grant (CDBG) funding is that the portion of the project costs allocable to CDBG funds ("program income") must either be returned to HUD or be reprogrammed by the City in a timely manner for other CDBG-eligible projects; and

WHEREAS, HUD has stated in a letter attached as an exhibit to Departmental Communication D-555 (2013) that the City anticipates receiving \$34,067,334 in CDBG program income and \$2,446,108 in Home Investment Partnership (HOME) program income from the HAHPI PSA; and

WHEREAS, HUD requires the City to adopt an annual action plan for its use of HUD-provided funding for the coming program year, including moneys provided under the CDBG and HOME Programs; and

WHEREAS, HUD has communicated to the City a series of deadlines for the adoption of its Program Year 2013 Action Plan, with December 16, 2013 being the deadline for the City to "submit detailed project tables for each activity selected for award of CDBG and HOME program income" (June 13, 2013 letter attached as an exhibit to D-555(2013)), and May 2, 2014 being the deadline for the City to expend sufficient CDBG monies to meet HUD's requirements for timely draw-down of CDBG funding (August 27, 2013 letter attached as an exhibit to D-635 (2013)); and

WHEREAS, by adoption of Resolution 13-232, CD1, the City Council appointed three members, and jointly (with the Mayor) selected an additional appointee, to the "HAHPI CDBG Projects Selection Committee" (the Committee) to review project proposals, including those from nonprofit organizations, for the \$34,067,334; and

WHEREAS, the City Administration submitted for Council approval a draft resolution, subsequently introduced as Resolution 13-288, which included a list of the projects selected by the Committee to be undertaken using HAHPI-generated CDBG program income in Program Year 2013 as well as a list of CDBG-eligible City capital improvement projects selected by the City Administration; and

WHEREAS, the City Administration has admitted to the Council's Budget Committee at its December 4, 2013 meeting that compliance with HUD's current May 2, 2014 deadline will be nearly impossible to meet, making it very likely that the City will receive a reduced CDBG allocation from HUD in future program years; and



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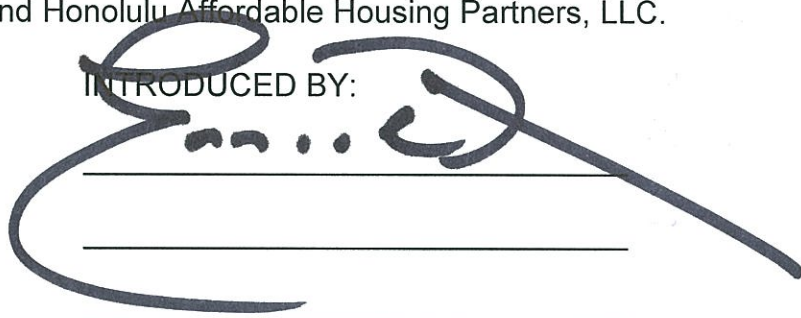
WHEREAS, a number of the CDBG-eligible capital improvement projects proposed by the City Administration in the "as introduced" version of Resolution 13-288 are at only the conceptual stage, and have neither been presented to the affected communities and the Council for review and comment, nor fleshed out to the extent necessary to allow careful environmental, budgetary and programmatic review; and

WHEREAS, although the Council is reluctant to rescind its prior approval of the HAHPI PSA, it finds such rescission to be necessary in order for the City to avoid the loss of a significant portion of its current CDBG Program allocation in future program years; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the Council hereby rescinds Resolution 12-228, FD1, which had authorized the City Administration to enter into a Purchase and Sale Agreement (PSA) with Honolulu Affordable Housing Partners, LLC (HAHP); and

BE IT FINALLY RESOLVED that copies of this Resolution shall be provided to the Mayor, the Managing Director, Mr. Mark Chandler of the U.S. Department of Housing and Urban Development, and Honolulu Affordable Housing Partners, LLC.

INTRODUCED BY:

  
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DATE OF INTRODUCTION:

**DEC 05 2013**

Honolulu, Hawaii

Councilmembers